VP BANK

# Media release

## Significant growth in earnings, strong net inflow of new money and higher dividend for the 2017 financial year

Vaduz, 06 March 2018

**VP Bank Group generated very strong group net income of CHF 65.8 million. Client assets under management rose by a substantial 13.0 percent. The tier 1 ratio amounted to an above-average 25.7 percent. The annual general meeting will be asked to approve a raised dividend of CHF 5.50 per registered share A and CHF 0.55 per registered share B.**

VP Bank Group reported group net income of CHF 65.8 million for the 2017 financial year. Striking progress was made in terms of market development. For the year 2017, a significant inflow of net new money amounting to CHF 1.9 billion was reported. All sites contributed towards this result. The cost/income ratio was reduced by 4.2 percentage points.

### Overview of key figures

- Group net income: CHF 65.8 million (plus 13.4 percent)
- Assets under management: CHF 40.4 billion (plus 13.0 percent)
- Inflow of net new money: CHF 1,894 million (previous year: CHF 7.0 million)
- Cost/income ratio: 64.2 percent (improvement of 4.2 percentage points)
- Tier 1 ratio: 25.7 percent (above-average robust capital base)
- VP Bank registered shares A: 2017 stock price rise of 27.3 percent incl. dividend (outperforming the Swiss stock market and the Swiss banking sector)
- Dividend: proposed increase from CHF 4.50 to CHF 5.50 (22.2 percent increase)

### Significantly higher group net income

For the 2017 financial year, VP Bank Group reported 13.4 percent higher **group net income** of CHF 65.8 million (previous year: CHF 58.0 million). Relative to the previous year, **operating income** rose 9.8 percent from CHF 273.2 million to reach CHF 300.1 million, meaning that this increased by CHF 26.9 million. **Interest income** rose 2.0 percent in year-on-year terms to reach CHF 104.4 million. **Income from commission business and services** grew 4.3 percent in 2017 to reach CHF 123.9 million. **Income from trading activities** increased 12.9 percent to reach CHF 50.2 million. **Financial investments** generated income of CHF 19.2 million (same period of the previous year: CHF 7.6 million).

### Operating expenses rise as anticipated

**Operating expenditure** rose CHF 17.6 million relative to the previous year, from CHF 212.2 million to CHF 229.8 million (8.3 percent higher). **General and administrative expenses** rose 11.8 percent in 2017 to reach CHF 57.8 million. This increase is due mainly to external consultancy costs linked to projects concerning regulatory requirements, growth initiatives and digitisation. **Personnel expenses** fell by a moderate 0.4 percent relative to the previous year to reach CHF 134.8 million. Adjustment of the pension scheme conversion rate reduced personnel expenses by CHF 10.1 million. Relative to 31 December 2016, the headcount increased 8.3 percent to reach 800 full-time positions. In step with the strategic growth initiative, this rise resulted inter alia from the programme to recruit new client advisors. **Depreciation and amortisation** was 5.1 percent above the previous year and amounted to CHF 23.6 million. **Valuation adjustments, provisions and losses** rose relative to the previous year to reach a total of CHF 13.6 million. The increase was brought about by a settlement reached with the authorities in Germany concerning untaxed assets of German clients and the associated one-off provision of CHF 10.9 million.

The **cost/income ratio** was reduced to 64.2 percent (previous year: 68.4 percent). With a **tier 1 ratio** of 25.7 percent (previous year: 27.1 percent), VP Bank Group has an extremely comfortable equity base on an industry comparison. **Total assets** increased 8.3 percent to reach CHF 12.8 billion.

## Striking increase in client assets under management

**Client assets under management** at VP Bank Group totalled CHF 40.4 billion at the end of 2017. Relative to the figure of CHF 35.8 billion on 31 December 2016, this constitutes an increase of 13.0 percent. The performance-related increase in assets amounted to CHF 2.7 billion (previous year: increase of CHF 1.0 billion). This increase was essentially brought about by rising stock prices and the appreciation of the euro during the 2nd half of 2017, with the associated rise in the value of client assets under management denominated in foreign currencies.

VP Bank Group recorded an **inflow of net new money** in the year 2017 amounting to CHF1,894 million (previous year: organic net inflow of new money of CHF 7.0 million). These inflows were achieved thanks to intensive market development, inflows from existing clients and the recruitment of new client advisors – in particular in the investment fund field and at the international sites.

**Custody assets** rose to CHF 6.1 billion (previous year: CHF 5.8 billion). **Client assets** including custody assets as at 31 December 2017 amounted to CHF 46.4 billion (previous year: CHF 41.5 billion).

"The strong inflow of client assets in the year 2017 has improved our long-term earnings situation and shows that we have been taking the right measures. Our motivated and committed managers and employees contribute significantly to this robust result," stated Alfred W. Moeckli, Chief Executive Officer of VP Bank Group.

## New management structure

In 2017, VP Bank made changes to its organisation and management structure in line with "Strategy 2020" and redefined responsibilities within Group Executive Management.

At Group Executive Management level, the new organisational unit "General Counsel & Chief Risk Officer" was formed on 1 January 2017. The Group Legal, Compliance & Tax as well as Group Risk units were brought together to form a new organisational unit within Group Executive Management. This enhanced status takes particular account of the continuous increase in market regulation and associated growing demands imposed on financial services providers with international operations.

The organisational unit "Investment Solutions" was likewise established at the start of the year 2017. This new unit will further strengthen group-wide investment expertise.

In order to ensure the rigorous implementation and further development of "Strategy 2020" within the group, as well as to underscore its importance, a number of tasks were brought together with effect from 1 April 2017 within the context of strategic management in a newly-created "Group Strategy" unit. By setting up this organisational unit, VP Bank is safeguarding a consistent strategy process and is strengthening its focus on the overall development of VP Bank Group.

## Annual general meeting

The Board of Directors is set to propose a dividend of CHF 5.50 per registered share A (previous year: CHF 4.50) and of CHF 0.55 per registered share B (previous year: CHF 0.45) to the general meeting of 27 April 2018. The proposed dividend is in line with the defined **dividend policy**. VP Bank is keen to maintain a steady dividend performance, with the aim of distributing between 40 percent and 60 percent of generated group net income to shareholders. The Board of Directors has based its proposed dividend increase on 2017's group net income of CHF 65.8 million.

The Board of Directors is also proposing the re-election of Fredy Vogt and Dr Florian Marxer as members of the Board of Directors for a period of office of three years.

On the basis of the defined strategic goals, the Board of Directors has decided, subject to the approval of the Liechtenstein Financial Market Authority (FMA), to propose the election of Dr Thomas R. Meier to the Board of Directors at the annual general meeting of 27 April 2018. He has more than three decades of international experience within the banking sector. From 2007 to 2015 he worked for Bank Julius Baer as CEO Asia. Prior to this, he was Head of Private Wealth Management at Deutsche Bank in Luxembourg, and was a member of the Management Board. He started his career in 1988 at Credit Suisse Group, where he also focused on the Asian market as well as the Middle East and Eastern Europe. By this means, the Board of Directors of VP Bank Group is further strengthening its own expertise, while safeguarding its long-term succession planning.

## Outlook

Growth will remain a key topic for VP Bank Group in 2018: This will involve further strengthening the quality of the client services as well as expanding experienced teams. With its "Relationship Manager Hiring" project, VP Bank has set itself the goal of recruiting a total of 75 client advisors in the intermediaries and private banking segments by the end of 2019, about half of these in Asia.

Regulatory operating conditions will continue to be a major focus of attention for VP Bank. The steady increase in regulations is pushing costs higher, while squeezing margins. Efficiency programmes as well as the continued rigorous implementation of cost management are the response to these developments. With its expert teams, active cooperation with the relevant financial market protagonists as well as the continuous development of know-how, VP Bank has established the corresponding preconditions for this.

"VP Bank Group is in a good position to successfully master the coming challenges. We have a very sound capital base, which enables us to make active use of the changes in the financial industry," declared Fredy Vogt, Chairman of the Board of Directors of VP Bank.

This Media Release can be found on the internet under www.vpbank.com

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## Agenda

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| Annual Media Conference – 2017 annual results | 6 March 2018 |
| Annual General Meeting 2018 | 27 April 2018 |
| Round Table – 2018 Interim Results | 21 August 2018 |

## Facts & Figures VP Bank Group

VP Bank AG was founded in 1956 and is one of the largest banks in Liechtenstein with 861 employees at the end of 2017 (full-time equivalent 800). It currently has offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong, Moscow and Road Town on the British Virgin Islands. VP Bank Group offers bespoke asset management and investment consultancy for private individuals and intermediaries. Due to the open architecture, clients benefit from independent advice: The products and services of leading financial institutions as well as in-house investment solutions are included in client recommendations. VP Bank is listed on the Swiss stock exchange SIX, and has an "A–" rating from Standard & Poor’s. The bank has a sound balance sheet and capital base. Its anchor shareholders take a long-term view, guaranteeing continuity, independence as well as sustainability.